

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Lake City	County Missaukee
Audit Date 3/31/05	Opinion Date 7/13/05	Date Accountant Report Submitted to State: September 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

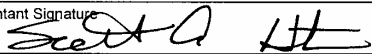
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 9/29/05	

CITY OF LAKE CITY, MICHIGAN

MARCH 31, 2005

REPORT OF EXAMINATION
CITY OF LAKE CITY, MICHIGAN
MARCH 31, 2005

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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

July 13, 2005

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Lake City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake City, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lake City, Michigan, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake City Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake City, Michigan, basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Management's Discussion and Analysis

The management of the City of Lake City, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2005. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. In future years, comparative information will be provided.

Financial Highlights

Government-Wide

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$3,770,676 (shown as *Net Assets*), representing a decrease of \$5,118 over the previous fiscal year. Governmental Funds represented an increase of \$13,067, while Business-Type activities accounted for a decrease of \$18,185.

Fund Level Financial Highlights

- ❖ As of March 31, 2005, the governmental funds of the City of Lake City reported combined ending fund balances of \$639,623, of which \$639,699 is unreserved and (\$76) is reserved.
- ❖ The unreserved fund balance of the City's General Fund increased this year by \$12,797.

Long-Term Debt

- ❖ The City of Lake City's total debt **decreased** by \$170,000 during the fiscal year.

Overview of the Financial Statements

The City of Lake City's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for the City of Lake City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire City's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

CITY OF LAKE CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. There are three (3) basic types of funds: governmental funds, proprietary funds and fiduciary funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of Lake City uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF LAKE CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and the Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the City. These funds allow the City to allocate costs of centralized services such as the City's vehicle and equipment fleet. The City has one internal service fund, which is the Equipment Fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs.

Component Units The City's Financial Report includes reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Downtown Development Authority and the Downtown Development Authority Debt Retirement Funds.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$3,770,676 at March 31, 2005, meaning that the City's assets were greater than its liabilities by this amount. A useful comparative analysis will be presented in future years when information is available.

City of Lake City
Net Assets as of March 31, 2005

	Governmental Activities	Business-Type Activities	Total Primary Government
Assets			
Current Assets	\$ 835,084	\$ 261,972	\$ 1,097,056
Restricted Assets	0	255,104	255,104
Non Current Assets			
Capital Assets	1,387,813	3,079,638	4,467,451
Less: Accumulated Depreciation	(732,702)	(1,274,732)	(2,007,434)
Total Non Current Assets	655,111	1,804,906	2,460,017
Total Assets	\$ 1,490,195	\$ 2,321,982	\$ 3,812,177
Liabilities			
Current Liabilities	\$ 27,048	\$ 14,453	\$ 41,501
Long-term Liabilities	0	0	0
Total Liabilities	27,048	14,453	41,501
Net Assets			
Invested in Capital Assets	655,111	1,804,906	2,460,017
Restricted for Specific Purposes (Deficit)	(1,636)	255,104	253,468
Unrestricted	809,672	247,519	1,057,191
Total Net Assets	1,463,147	2,307,529	3,770,676
Total Liabilities and Net Assets	\$ 1,490,195	\$ 2,321,982	\$ 3,812,177

The most significant portion of the City's Net Assets are cash and the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$1,057,191 in

CITY OF LAKE CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

At the end of the current year, the City is able to report a positive balance in net assets for the government as a whole.

The total net assets of the City decreased \$5,118 in this fiscal year. Governmental type activities experienced an increase of \$13,067, while Business-type activities suffered a decrease of \$18,185.

The following table illustrates and summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the Government-wide Statement of Activities.

**City of Lake City
Change in Net Assets
for the Fiscal Year Ended March 31, 2005**

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 149,113	\$ 271,973	\$ 421,086
General Revenues			
Property Taxes and Assessments	264,634	0	264,634
State Shared Revenue	175,676	0	175,676
Unrestricted Investment Earnings	2,396	1,647	4,043
Other	14,573	15,479	30,052
Total Revenues	\$ 606,392	\$ 289,099	\$ 895,491
<u>Expenses</u>			
Legislative	\$ 16,684	\$ 0	\$ 16,684
General Government, Administrative	163,722	0	163,722
Public Safety	32,562	0	32,562
Public Works	264,970	0	264,970
Culture and Recreation	99,122	0	99,122
Debt Service	9,221	0	9,221
Water	0	120,436	120,436
Sewer	0	186,848	186,848
Community and Economic Development	7,044	0	7,044
Total Expenses	\$ 593,325	\$ 307,284	\$ 900,609

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Changes in Net Assets	13,067	(18,185)	(5,118)
NET ASSETS – Beginning of Year	1,450,080	2,325,714	3,775,794
NET ASSETS – End of Year	\$ 1,463,147	\$ 2,307,529	\$ 3,770,676

Governmental Activities

During the fiscal year ended March 31, 2005, the City's net assts increased by \$13,067. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the City to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of the City of Lake City comes from property taxes. The City levied 12.52 mills for operating purposes. The City has designated the following: 8.59 mills for general operating; 1.48 mills for local street maintenance; 1.20 mills for fire protection; 0.50 mills for law enforcement; and 0.75 mills for cemetery maintenance.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the City trended downward as a whole, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The City's governmental activities expenses are dominated by public works expenses that total 44.66% of total expenses. The City spent \$264,970 in fiscal year 2005 on public works expenses. General governmental represented the next largest expense at \$163,722 followed by recreation and culture at \$99,122.

Business-Type Activities

The City utilizes a Water Fund to account for its water operations. Revenue is collected from customers within the City. These charges for services totaled \$103,464 for 2005. Expenses for personal services represent the largest portion of the Water Fund expenses at \$29,958 followed by depreciation at \$23,556.

Water operations experienced an \$896 decrease in net assets.

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

The City utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the City. These charges for services totaled \$152,578 for 2005. Expenses for personal services represent the largest portion of the Sewer Fund expenses at \$48,888 followed by depreciation at \$46,843.

Sewer operations experienced an \$18,961 decrease in net assets

Financial Analysis of the Government's Funds

Governmental Activities The focus of the City of Lake City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of \$639,623. Essentially, this entire amount constitutes unreserved fund balance. A slight deficit in the debt retirement funds will be corrected with future revenues within the debt funds. Approximately, \$194,589 of the unreserved balance is designated for specific purposes by the City.

General Fund – The General Fund increased its fund balance by \$12,797 which brings the fund balance to \$424,455. Of the General Fund's fund balance, \$423,165 is unreserved while \$1,290 is reserved for prepaid expenditures. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property tax related revenues increased by 4.30% or \$7,424. State shared revenues relating to sales tax, decreased by \$2,169 from the prior year.

Major Street Fund – The Major Street Fund increased its fund balance by \$4,019 which brings the fund balance to \$61,287. A large portion of this balance is designated for street improvements.

Local Street Fund – The Local Street Fund decreased its fund balance by \$32,823 which brings the balance to \$38,323. A large portion of this balance is designated for street improvements.

The City designated 1.48 mills of its operating levy for local street improvements. This generated \$30,051 in tax related revenues during the current fiscal year.

1997 Sanitary Drain Debt Retirement Fund – The 1997 Sanitary Drain Debt Retirement Fund decreased its fund balance by \$119,305 which brings the balance to (\$1,637). The deficit fund balance will be recovered with annual special assessments in the 2005-06 fiscal year.

CITY OF LAKE CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

The 1997 Sanitary Drain Debt Retirement Fund paid off the remaining balance on the 1997 Sanitary Drain Commission Bonds which was \$170,000. This deficit fund balance is a result of this payment.

Proprietary Fund The City's proprietary funds provide the same information as the government-wide statements.

Water Fund – The Water Fund ended the fiscal year with a decrease in net assets of \$896. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets actually increased \$18,319 also due mainly to the deduction of depreciation expense. Net assets invested in capital assets decreased by \$19,535.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$18,961. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets actually increased \$38,801 also due mainly to the deduction of depreciation expense. Net assets invested in capital assets, decreased by \$45,766

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of March 31, 2005 amounted to \$2,460,017 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year.

City of Lake City
Capital Assets as of March 31, 2005

		Governmental Activities		Business-Type Activities		Total Primary Government
Land and Land Improvements	\$	319,039	\$	0	\$	319,039
Buildings		206,078		0		206,078
Improvements Other than Buildings		13,500		2,854,183		2,867,683
Equipment, Furniture and Fixtures		320,649		225,455		546,104
Infrastructure		528,547		0		528,547
		1,387,813		3,079,638		4,467,451
Less Accumulated Depreciation		732,702		1,274,732		2,007,434
Net Capital Assets	\$	655,111	\$	1,804,906	\$	2,460,017

No major capital asset events occurred during the current fiscal year.

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Long-Term Debt. The City of Lake City currently has no debt that the City is liable for.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

Factors such as this were considered in preparing the City's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the City of Lake City at 115 W. John Street, Lake City, Michigan 49651.

CITY OF LAKE CITY, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 773,978	\$ 338,972	\$ 1,112,950	\$ 112,457
Receivables				
Taxes	41,533	0	41,533	7,010
Accounts	9,535	16,867	26,402	0
Special Assessments	0	101,198	101,198	0
External Parties (Fiduciary Funds)	3,756	0	3,756	0
Internal Balances	(24,787)	24,787	0	0
Due from Other Governments	28,396	0	28,396	0
Inventory	0	32,632	32,632	0
Prepaid Expenses	2,673	2,620	5,293	0
Total Current Assets	\$ 835,084	\$ 517,076	\$ 1,352,160	\$ 119,467
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 319,039	\$ 0	\$ 319,039	\$ 630,538
Buildings	206,078	0	206,078	0
Improvements Other Than Buildings	13,500	2,854,183	2,867,683	0
Machinery and Equipment	320,649	225,455	546,104	0
Infrastructure	528,547	0	528,547	0
	\$ 1,387,813	\$ 3,079,638	\$ 4,467,451	\$ 630,538
Less Accumulated Depreciation	732,702	1,274,732	2,007,434	122,696
Net Capital Assets	\$ 655,111	\$ 1,804,906	\$ 2,460,017	\$ 507,842
TOTAL ASSETS	\$ 1,490,195	\$ 2,321,982	\$ 3,812,177	\$ 627,309

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 22,422	\$ 11,753	\$ 34,175	\$ 0
External Parties Payable (Fiduciary Funds)	175	0	175	0
Accrued Expenditures	4,451	2,700	7,151	0
Accrued Interest	0	0	0	685
Due to Other Governments	0	0	0	90
Current Portion of Long-Term Debt	0	0	0	20,000
Total Current Liabilities	\$ 27,048	\$ 14,453	\$ 41,501	\$ 20,775
<u>LONG-TERM LIABILITIES</u>				
Notes Payable	\$ 0	\$ 0	\$ 0	\$ 295,000
Less: Current Portion	0	0	0	(20,000)
Total Long-Term Liabilities	\$ 0	\$ 0	\$ 0	\$ 275,000
TOTAL LIABILITIES	\$ 27,048	\$ 14,453	\$ 41,501	\$ 295,775
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 655,111	\$ 1,804,906	\$ 2,460,017	\$ 212,842
Restricted for Debt Service (Deficit)	(1,636)	0	(1,636)	0
Restricted for Improvements	0	255,104	255,104	0
Unrestricted	809,672	247,519	1,057,191	118,692
TOTAL NET ASSETS	\$ 1,463,147	\$ 2,307,529	\$ 3,770,676	\$ 331,534
TOTAL LIABILITIES AND NET ASSETS	\$ 1,490,195	\$ 2,321,982	\$ 3,812,177	\$ 627,309

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT	
				GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
Legislative	\$ 16,684	\$ 0	\$ 0	\$ (16,684)	\$ 0	\$ (16,684)	\$ 0	
General Government, Administrative	163,722	22,208	0	(141,514)	0	(141,514)	0	
Public Safety	32,562	0	2,298	(30,264)	0	(30,264)	0	
Public Works	264,970	42,339	86,196	(136,435)	0	(136,435)	0	
Community and Economic Development	7,044	1,519	0	(5,525)	0	(5,525)	0	
Recreation and Culture	99,122	22,848	0	(76,274)	0	(76,274)	0	
Interest on Long-term Debt	9,221	60,199	0	50,978	0	50,978	0	
Total Governmental Activities	\$ 593,325	\$ 149,113	\$ 88,494	\$ (355,718)	\$ 0	\$ (355,718)	\$ 0	
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water Fund	\$ 120,436	\$ 119,395	\$ 0	\$ 0	\$ (1,041)	\$ (1,041)	\$ 0	
Sewer Fund	186,848	152,578	0	0	(34,270)	(34,270)	0	
Total Business-Type Activities	\$ 307,284	\$ 271,973	\$ 0	\$ 0	\$ (35,311)	\$ (35,311)	\$ 0	
TOTAL PRIMARY GOVERNMENT	\$ 900,609	\$ 421,086	\$ 88,494	\$ (355,718)	\$ (35,311)	\$ (391,029)	\$ 0	
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 48,728	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (48,728)	
<u>GENERAL REVENUES</u>								
Property Taxes				\$ 264,634	\$ 0	\$ 264,634	\$ 50,636	
State Shared Revenue				87,182	0	87,182	0	
Unrestricted Investment Earnings				2,396	1,647	4,043	295	
Other				14,573	15,479	30,052	0	
Total General Revenues				\$ 368,785	\$ 17,126	\$ 385,911	\$ 50,931	
Change in Net Assets				\$ 13,067	\$ (18,185)	\$ (5,118)	\$ 2,203	
NET ASSETS - Beginning of Year				1,450,080	2,325,714	3,775,794	329,331	
NET ASSETS - End of Year				\$ 1,463,147	\$ 2,307,529	\$ 3,770,676	\$ 331,534	

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	1997 SANITARY DEBT FUND	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 407,438	\$ 45,950	\$ 30,045	\$ 12,796	\$ 112,524	\$ 608,753
Receivables						
Taxes	28,671	0	4,823	0	8,039	41,533
Accounts	3,848	0	1,346	4,341	0	9,535
Due from Other Funds	2,710	4,895	1,662	0	684	9,951
Due from Other Governments	11,068	12,368	4,960	0	0	28,396
Prepaid Expenditures	1,290	41	41	0	188	1,560
TOTAL ASSETS	\$ 455,025	\$ 63,254	\$ 42,877	\$ 17,137	\$ 121,435	\$ 699,728
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 14,727	\$ 1,267	\$ 1,230	\$ 0	\$ 3,072	\$ 20,296
Accrued Expenditures	3,365	218	380	0	288	4,251
Due to Other Funds	9,485	482	2,416	18,774	0	31,157
Deferred Revenue	2,993	0	528	0	880	4,401
Total Liabilities	\$ 30,570	\$ 1,967	\$ 4,554	\$ 18,774	\$ 4,240	\$ 60,105
<u>FUND BALANCE</u>						
Reserved for:						
Prepaid Expenditures	\$ 1,290	\$ 41	\$ 41	\$ 0	\$ 188	\$ 1,560
Debt Service	0	0	0	(1,637)	1	(1,636)
Unreserved:						
Designated for:						
Street Improvements	0	61,246	38,282	0	0	99,528
Fire Protection	0	0	0	0	45,099	45,099
Law Enforcement	0	0	0	0	49,962	49,962
Undesignated	423,165	0	0	0	21,945	445,110
Total Fund Balance	\$ 424,455	\$ 61,287	\$ 38,323	\$ (1,637)	\$ 117,195	\$ 639,623
TOTAL LIABILITIES AND FUND BALANCE	\$ 455,025	\$ 63,254	\$ 42,877	\$ 17,137	\$ 121,435	\$ 699,728

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	639,623
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	19,500	
Land Improvements		299,539	
Buildings		206,078	
Improvements Other Than Buildings		13,500	
Machinery and Equipment		2,000	
Infrastructure		528,547	
Accumulated Depreciation		<u>(506,152)</u>	563,012

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivable		4,401
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Internal service funds are used by management to charge costs of
certain activities to individual funds. The assets and liabilities
of the internal service fund are included in governmental activities
in the Statement of Net Assets.

		<u>256,111</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,463,147</u></u>
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CITY OF LAKE CITY, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	1997 SANITARY DEBT FUND	NON-MAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 180,098	\$ 0	\$ 30,051	\$ 0	\$ 50,084	\$ 260,233
Licenses and Permits	1,519	0	0	0	0	1,519
State Grants	87,182	57,100	29,096	0	2,298	175,676
Charges for Services	44,287	0	0	0	20,260	64,547
Interest and Rents	24,784	62	104	87	207	25,244
Other Revenue	12,278	0	2,295	60,199	0	74,772
Total Revenues	\$ 350,148	\$ 57,162	\$ 61,546	\$ 60,286	\$ 72,849	\$ 601,991
<u>EXPENDITURES</u>						
Legislative	\$ 16,684	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,684
General Government	122,954	0	0	0	37,504	160,458
Public Safety	0	0	0	0	32,227	32,227
Public Works	90,346	53,143	94,369	0	0	237,858
Community and Economic Development	7,044	0	0	0	0	7,044
Culture and Recreation	100,323	0	0	0	0	100,323
Debt Service	0	0	0	179,591	0	179,591
Total Expenditures	\$ 337,351	\$ 53,143	\$ 94,369	\$ 179,591	\$ 69,731	\$ 734,185
Net Change in Fund Balances	\$ 12,797	\$ 4,019	\$ (32,823)	\$ (119,305)	\$ 3,118	\$ (132,194)
<u>FUND BALANCES</u> - Beginning of Year	411,658	57,268	71,146	117,668	114,077	771,817
<u>FUND BALANCES</u> - End of Year	\$ 424,455	\$ 61,287	\$ 38,323	\$ (1,637)	\$ 117,195	\$ 639,623

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (132,194)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation in the statement of activities.

Depreciation Expense	(45,631)
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Accrued interest on bonds is recorded in the statement of activities when incurred; it is not record in governmental funds until it is paid.

Accrued Interest Payable - Beginning of Year	370
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Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	170,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using the modified accrual method	4,401
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Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.

16,121

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 13,067</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>BUSINESS TYPE ACTIVITIES -</u> <u>ENTERPRISE FUNDS</u> <u>MAJOR FUNDS</u>	
	<u>WATER</u>	<u>SEWER</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 73,916	\$ 93,991
Accounts Receivable	6,942	9,925
Due from Other Funds	0	24,787
Inventory	32,632	0
Prepaid Expense	1,211	1,293
Total Current Assets	\$ 114,701	\$ 129,996
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	\$ 77,020	\$ 76,886
Special Assessments Receivable	10,554	90,644
Total Restricted Assets	\$ 87,574	\$ 167,530
<u>CAPITAL ASSETS</u>		
Improvements Other Than Buildings	\$ 1,093,070	\$ 1,761,113
Machinery and Equipment	0	192,363
	\$ 1,093,070	\$ 1,953,476
Less Accumulated Depreciation	492,259	758,946
Net Capital Assets	\$ 600,811	\$ 1,194,530
Total Noncurrent Assets	\$ 688,385	\$ 1,362,060
TOTAL ASSETS	\$ 803,086	\$ 1,492,056
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,440	\$ 6,092
Accrued Expenses	1,018	1,661
Total Current Liabilities	\$ 6,458	\$ 7,753
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 600,811	\$ 1,194,530
Restricted for Improvements	87,574	167,530
Unrestricted	108,243	122,243
Total Net Assets	\$ 796,628	\$ 1,484,303
TOTAL LIABILITIES AND NET ASSETS	\$ 803,086	\$ 1,492,056

The accompanying notes are an integral part of the financial statements.

TOTALS	INTERNAL SERVICE FUND
\$ 167,907	\$ 182,384
16,867	0
24,787	0
32,632	0
2,504	1,229
<u>\$ 244,697</u>	<u>\$ 183,613</u>
\$ 153,906	\$ 0
101,198	0
<u>\$ 255,104</u>	<u>\$ 0</u>
\$ 2,854,183	\$ 0
192,363	351,741
<u>\$ 3,046,546</u>	<u>\$ 351,741</u>
1,251,205	250,077
<u>\$ 1,795,341</u>	<u>\$ 101,664</u>
\$ 2,050,445	\$ 101,664
<u>\$ 2,295,142</u>	<u>\$ 285,277</u>
\$ 11,532	\$ 2,347
2,679	221
<u>\$ 14,211</u>	<u>\$ 2,568</u>
\$ 1,795,341	\$ 101,664
255,104	0
230,486	181,045
<u>\$ 2,280,931</u>	<u>\$ 282,709</u>
<u>\$ 2,295,142</u>	<u>\$ 285,277</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Net Assets - Total Proprietary Funds	\$ 2,280,931
Amounts reported for proprietary activities in the statement of net assets are different because:	
Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service fund are allocated to governmental and business activities.	
	<u>26,598</u>
NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ 2,307,529</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED MARCH 31, 2005

	<u>BUSINESS TYPE ACTIVITIES -</u> <u>ENTERPRISE FUNDS</u> <u>MAJOR FUNDS</u>	
	<u>WATER FUND</u>	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	\$ 119,395	\$ 152,578
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 29,958	\$ 48,888
Contracted Services	1,512	1,280
Retirement	2,000	2,000
Health and Life Insurance	8,561	8,425
Uniforms	205	351
Supplies	3,123	3,686
Gasoline and Oil	0	0
Legal Advertisements	285	0
Audit	1,000	1,000
Utilities	21,790	19,950
Repairs and Maintenance	3,885	28,222
Laboratory Analysis	9,759	5,480
Equipment Rental	5,035	1,468
Insurance	9,282	9,503
Continuing Education	350	0
Dues	971	7,619
Miscellaneous	0	2,969
Depreciation	23,556	46,843
Total Operating Expenses	\$ 121,272	\$ 187,684
Operating Income (Loss)	\$ (1,877)	\$ (35,106)

The accompanying notes are an integral part of the financial statements.

TOTALS		INTERNAL SERVICE FUND	
\$	271,973	\$	69,694
\$	78,846	\$	3,760
	2,792		0
	4,000		0
	16,986		1,997
	556		0
	6,809		372
	0		3,770
	285		0
	2,000		500
	41,740		0
	32,107		7,990
	15,239		0
	6,503		0
	18,785		9,990
	350		0
	8,590		0
	2,969		0
	70,399		24,434
\$	308,956	\$	52,813
\$	(36,983)	\$	16,881

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED MARCH 31, 2005

	<u>BUSINESS TYPE ACTIVITIES -</u>	
	<u>ENTERPRISE FUNDS</u>	
	<u>MAJOR FUNDS</u>	
	<u>WATER FUND</u>	<u>SEWER FUND</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Revenue	\$ 788	\$ 859
Interest on Special Assessments	193	10,854
Other Revenue	0	4,432
Total Nonoperating Revenues (Expenses)	\$ 981	\$ 16,145
Change in Net Assets	\$ (896)	\$ (18,961)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>797,524</u>	<u>1,503,264</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 796,628</u>	<u>\$ 1,484,303</u>

The accompanying notes are an integral part of the financial statements.

TOTALS	INTERNAL SERVICE FUND
\$ 1,647	\$ 912
11,047	0
4,432	0
\$ 17,126	\$ 912
\$ (19,857)	\$ 17,793
2,300,788	264,916
\$ 2,280,931	\$ 282,709

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

Net Change in Fund Net Assets - Total Proprietary Funds	\$ (19,857)
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Amounts reported for proprietary activities in the statement of activities are different because:

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expense) of internal service fund is reported with governmental and business-type activities

1,672

CHANGE IN NET ASSETS OF PROPRIETARY FUNDS	<u>\$ (18,185)</u>
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CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS MAJOR FUNDS	
	WATER FUND	SEWER FUND
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 116,043	\$ 151,256
Cash Received from Interfund Services Provided and Used	0	0
Cash Payments to Suppliers for Goods and Services	(64,600)	(100,999)
Cash Payments to Employees for Services	(29,823)	(48,660)
Other Operating Revenues	228	0
Net Cash Provided (Used) by Operating Activities	\$ 21,848	\$ 1,597
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	\$ (4,021)	\$ (1,077)
Other Revenue Received	0	4,432
Collections of Special Assessments	1,893	19,712
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (2,128)	\$ 23,067
Cash Flows from Investing Activities:		
Interest Received	\$ 788	\$ 859
Interest on Special Assessments	193	10,854
Net Cash Provided (Used) by Investing Activities	\$ 981	\$ 11,713
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 20,701	\$ 36,377
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	130,235	134,500
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 150,936	\$ 170,877

The accompanying notes are an integral part of the financial statements.

<u>TOTALS</u>	<u>INTERNAL SERVICE FUND</u>
\$ 267,299	\$ 0
0	69,753
(165,599)	(24,589)
(78,483)	(3,804)
228	516
<u>\$ 23,445</u>	<u>\$ 41,876</u>
\$ (5,098)	\$ 0
4,432	0
<u>21,605</u>	<u>0</u>
<u>\$ 20,939</u>	<u>\$ 0</u>
\$ 1,647	\$ 912
11,047	0
<u>\$ 12,694</u>	<u>\$ 912</u>
\$ 57,078	\$ 42,788
264,735	139,596
<u>\$ 321,813</u>	<u>\$ 182,384</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS MAJOR FUNDS	
WATER FUND	SEWER FUND
<hr/>	
Operating Income (Loss)	\$ (1,877) \$ (35,106)
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	\$ 23,556 \$ 46,843
(Increase) Decrease in Current Assets	
Accounts Receivable	1,571 4,891
Due from Other Funds	426 (6,213)
Prepaid Expense	(27) 15
Increase (Decrease) in Current Liabilities	
Accounts Payable	1,614 (5,567)
Other Accrued Expenses	135 228
Due to Other Funds	(3,550) (3,494)
Total Adjustments	\$ 23,725 \$ 36,703
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 21,848 \$ 1,597

The accompanying notes are an integral part of the financial statements.

<u>TOTALS</u>	<u>INTERNAL SERVICE FUND</u>
<u>\$ (36,983)</u>	<u>\$ 16,881</u>
\$ 70,399	\$ 24,434
6,462	0
(5,787)	59
(12)	(88)
(3,953)	634
363	(44)
<u>(7,044)</u>	<u>0</u>
<u>\$ 60,428</u>	<u>\$ 24,995</u>
<u><u>\$ 23,445</u></u>	<u><u>\$ 41,876</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 13,098
Accounts Receivable	66
Due from Other Funds	175
Due from Other Governments	<u>90</u>
 TOTAL ASSETS	 \$ 13,429
 <u>LIABILITIES</u>	
Withholding Deductions and Accrued Expenses	\$ 54
Due to Other Governments	9,619
Due to Other Funds	<u>3,756</u>
 TOTAL LIABILITIES	 \$ 13,429
 <u>NET ASSETS</u>	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ 13,429

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lake City, Michigan, was incorporated under the laws of the State of Michigan and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. Each blended and discretely presented component unit has a March 31 year end.

BLENDED COMPONENT UNITS

The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The DDA was established pursuant to the provisions of Act No. 197 of the Public Acts of Michigan 1975. The members of the governing board of the Downtown Development Authority are appointed by the City Council. The Authority's operational and capital budgets must be approved by the City Council.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the City adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

CITY OF LAKE CITY, MICHIGAN
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Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

CITY OF LAKE CITY, MICHIGAN

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current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City of Lake City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *1997 Sanitary Drain Debt Retirement Fund* is used to account for the accumulation of resources for, and the payment of the 1997 Sanitary Drain Fund Bonds principal, interest and related costs.

The City of Lake City reports the following major proprietary funds:

The *Water and Sewer Operating and Maintenance Funds* account for the provision of water and sewer services to the residents of the City and certain adjacent areas. All activities related to such services are accounted for in the water and sewer system funds which are generally self-supporting. Primary financing is provided through user-charges.

Additionally the City of Lake City reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

CITY OF LAKE CITY, MICHIGAN
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The *debt service funds* account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The City's investment policy conforms to state statutes.

The Investment policy of the City authorizes the following investments:

- a) Passbook Savings
- b) Negotiable Certificates of Deposit
- c) Nonnegotiable Certificates of Deposit
- d) Repurchase agreements backed by U.S. government or federal agency obligations.
- e) All bonds, securities and obligations of the United States or any of its agencies or instrumentality's
- f) Bankers acceptance of United States banks

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County, Township and the balance of school taxes are levied and due December 1, and become delinquent after February

CITY OF LAKE CITY, MICHIGAN

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14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. City property tax revenues are recognized when they become both measurable and available for use to finance City operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the City of Lake City totaled \$22,307,359, on which ad valorem taxes levied consisted of 12.52 mills for the City of Lake City operating purposes. These levies raised approximately \$279,683 for operating purposes and a portion of these taxes levied were captured by the Downtown Development Authority

3. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets*

Certain proceeds of enterprise fund special assessment bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

CITY OF LAKE CITY, MICHIGAN
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<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment	5-10

6. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. *Comparative Data/Reclassifications*

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF LAKE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Prior to March 31, the City Superintendent submits to the City Council a proposed operating budget for all governmental funds for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a budget ordinance. Budgets are submitted on a line-item basis but adopted by the Council on a major function basis.
4. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year.
7. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Fire Fund			
Public Safety	\$ 24,700	\$	25,542
Cemetery Fund			
General Government	36,490		37,504

These overages were funded by greater than anticipated revenues and available fund balance.

CITY OF LAKE CITY, MICHIGAN
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C. Deficit fund balance

The 1997 Sanitary Drain Debt Retirement Fund had a deficit fund balance of \$1,637 as of March 31, 2005. The deficit was incurred when the fund paid off the remaining balance of \$170,000 on the 1997 Sanitary Drain Commission Bonds. The deficit will be recovered with the annual special assessments collected in the 2005-06 fiscal year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's deposits are owned by several of the City's funds. At year-end, the carrying amount of the City's deposits was \$1,125,823 and the bank balance was \$1,372,824 of which \$711,756 was covered by federal depository insurance and \$661,068 was uninsured and uncollateralized.

At year-end, the carrying amount of the component unit's deposits was \$112,457 and the bank balance was \$112,457 of which \$100,000 was covered by federal depository insurance and \$12,457 was uninsured and uncollateralized. All deposits and investments are in Chemical Bank West.

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Cash on Hand	\$ 225	\$ 0
Carrying amount of Deposits	1,125,823	112,457
Total	<u>\$ 1,126,048</u>	<u>\$ 112,457</u>
Government-wide Statement of Net Assets		
Cash	\$ 959,044	\$ 112,457
Restricted Assets - Investments	153,906	0
Statement of Fiduciary Net Assets		
Cash	13,098	0
Total	<u>\$ 1,126,048</u>	<u>\$ 112,457</u>

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

CITY OF LAKE CITY, MICHIGAN

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	General	Major Street	Local Street	1997 Sanitary Debt	Water Fund	Sewer Fund	Nonmajor And Other Funds	Total
Receivables								
Taxes	\$ 28,671	\$ 0	\$ 4,823	\$ 0	\$ 0	\$ 0	\$ 8,039	\$ 41,533
Accounts	3,848	0	1,346	4,341	6,942	9,925	0	26,402
Special Assessments	0	0	0	0	10,554	90,644	0	101,198
Receivables	\$ 32,519	\$ 0	\$ 6,169	\$ 4,341	\$ 17,496	\$ 100,569	\$ 8,039	\$ 169,133

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue		
	Unavailable	Unearned	Total
Delinquent property taxes receivable			
General Fund	\$ 2,993	\$ 0	\$ 2,993
Local Street Fund	528	0	528
Fire Fund	440	0	440
Law Fund	176	0	176
Cemetery Fund	264	0	264
	\$ 4,401	\$ 0	\$ 4,401

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 19,500	\$ 0	\$ 0	\$ 19,500

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Buildings	\$ 206,078	\$ 0	\$ 0	\$ 206,078
Improvements other than buildings	13,500	0	0	13,500
Land Improvements	299,539	0	0	299,539
Machinery and Equipment	2,000	0	0	2,000
Infrastructure	528,547	0	0	528,547
Total capital assets, being depreciated	\$ 1,049,664	\$ 0	\$ 0	\$ 1,049,664
Less accumulated depreciation for:				
Buildings	\$ 115,233	\$ 3,401	\$ 0	\$ 118,634
Improvements other than buildings	417	900	0	1,317
Land Improvements	129,965	14,903	0	144,868
Machinery and Equipment	2,000	0	0	2,000
Infrastructure	212,906	26,427	0	239,333
Total accumulated depreciation	\$ 460,521	\$ 45,631	\$ 0	\$ 506,152
Total capital assets, being depreciated, net	\$ 589,143	\$ (45,631)	\$ 0	\$ 543,512
Governmental activities capital assets, net	\$ 608,643	\$ (45,631)	\$ 0	\$ 563,012
Internal Service Fund net capital assets				92,099
Net Capital Assets per Statement of Net Assets				\$ 655,111

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 2,850,162	\$ 4,021	\$ 0	\$ 2,854,183
Machinery and Equipment	191,286	1,077	0	192,363
Total capital assets, being depreciated	\$ 3,041,448	\$ 5,098	\$ 0	\$ 3,046,546
Less accumulated depreciation for:				
Improvements other than buildings	\$ 1,065,417	\$ 58,778	\$ 0	\$ 1,124,195
Machinery and Equipment	115,389	11,621	0	127,010
Total accumulated depreciation	\$ 1,180,806	\$ 70,399	\$ 0	\$ 1,251,205

CITY OF LAKE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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	Beginning			Ending	
	Balance	Increases	Decreases	Balance	
Total capital assets, being depreciated, net	\$ 1,860,642	\$ (65,301)	\$ 0	\$ 1,795,341	
Business-type activities capital assets, net	\$ 1,860,642	\$ (65,301)	\$ 0	\$ 1,795,341	
Internal Service Fund net capital assets				9,565	
Net Capital Assets per Statement of Net Assets				\$ 1,804,906	

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General Government	\$	4,792
Public Safety		460
Public Works, including depreciation of general infrastructure assets		37,704
Recreation and Culture		2,675
Total depreciation expense - governmental activities	\$	45,631
Business-type activities:		
Water Fund	\$	23,556
Sewer Fund		46,843
Total depreciation expense - business-type activities	\$	70,399

Construction Commitments:

The City has no active construction commitments as of March 31, 2005

Discretely Presented Component Units:

	Beginning			Ending	
	Balance	Increases	Decreases	Balance	
<u>Business-Type Activities</u>					
Capital assets, being depreciated					
Improvements other than buildings	\$ 630,538	\$ 0	\$ 0	\$ 630,538	
Less accumulated depreciation for:					
Improvements other than buildings	91,169	31,527	0	122,696	
Total capital assets, being depreciated, net	\$ 539,369	\$ (31,527)	\$ 0	\$ 507,842	

CITY OF LAKE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 2,710	\$ 9,485
Major Street Fund	4,895	482
Local Street Fund	1,662	2,416
Fire Fund	357	0
Law Fund	131	0
Cemetery Fund	196	0
1997 Sanitary Drain Debt	0	18,774
Sewer Fund	24,787	0
Tax Collection Fund	0	3,368
Payroll Fund	175	388
	<u>\$ 34,913</u>	<u>\$ 34,913</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at March 31, 2005, are expected to be repaid within one year.

No interfund transfers occurred during the fiscal year ended March 31, 2005.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the City of Lake City for the year ended March 31, 2005:

CITY OF LAKE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Governmental Activities:

	SPECIAL ASSESSMENT BONDS
	<hr/>
Debt Payable at April 1, 2004	\$ 170,000
New Debt Incurred	0
Debt Retired	<hr/> (170,000)
Debt Payable at March 31, 2005	<hr/> \$ 0 <hr/>

The City of Lake City does not have any debt outstanding at March 31, 2005.

2. Component Unit

The following is a summary of debt transactions of the City of Lake City's discretely presented component unit for the year ended March 31, 2005:

	REVENUE BONDS
	<hr/>
Debt Payable at April 1, 2004	\$ 310,000
New Debt Incurred	0
Debt Retired	<hr/> (15,000)
Debt Payable at March 31, 2005	<hr/> \$ 295,000 <hr/>

Debt payable at March 31, 2005, is comprised of the following issues:

\$350,000 Lake City Downtown Development Authority Bonds, bonds due in annual installments of \$20,000 to \$35,000 through May 1, 2015; interest at 5.30% to 5.75% due May 1, and November 1, of each year; this debt is serviced from tax revenues of the Lake City Downtown Development Authority with secondary security of the full faith and credit of the City

\$ 295,000

The annual requirements to amortize this debt as of March 31, 2005, are as follows:

YEAR ENDING MARCH 31,	COMPONENT UNIT
<hr/> 2006 <hr/>	
PRINCIPAL	\$ 20,000
INTEREST	15,915
TOTAL	<hr/> \$ 35,915 <hr/>
2007	
PRINCIPAL	\$ 20,000
INTEREST	14,851
TOTAL	<hr/> \$ 34,851 <hr/>

CITY OF LAKE CITY, MICHIGAN
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MARCH 31, 2005

2008		
PRINCIPAL	\$	20,000
INTEREST		13,776
TOTAL	\$	<u>33,776</u>
2009		
PRINCIPAL	\$	25,000
INTEREST		12,554
TOTAL	\$	<u>37,554</u>
2010		
PRINCIPAL	\$	25,000
INTEREST		11,185
TOTAL	\$	<u>36,185</u>
2011		
PRINCIPAL	\$	185,000
INTEREST		33,563
TOTAL	\$	<u>218,563</u>
GRAND TOTAL		
PRINCIPAL	\$	295,000
INTEREST		101,844
TOTAL	\$	<u><u>396,844</u></u>

G. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the City has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Water and Sewer Fund

Debt Service	\$	<u>255,104</u>
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FUND BALANCE

Reserved

General Fund

Prepaid Expenditures	\$	1,290
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Special Revenue Funds

Major Street Fund

Prepaid Expenditures	\$	41
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Local Street Fund

Prepaid Expenditures		41
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Cemetery Operating Fund

Prepaid Expenditures		<u>188</u>	270
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CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

Debt Retirement Funds		
1997 Sanitary Drain Debt Retirement Fund		
Debit Service (Deficit)	\$	(1,637)
Transportation Debt Retirement Fund		<u>1</u>
		<u>(1,636)</u>
TOTAL FUND BALANCE/NET RESERVES		\$ <u><u>(76)</u></u>

IV. OTHER INFORMATION

A. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

B. Due from Other Governments

Amounts due from other governments consists of \$28,396 in state-shared revenues and other miscellaneous items.

C. Retirement Benefits

The City funds retirement benefits by making direct contributions to a SEP plan (Simplified Employee Pension). These accounts are the property of the employees and, therefore, are not treated as part of the City's reporting entity.

D. Component Unit Disclosures

The following presents the condensed financial statements for the discretely presented component unit.

Condensed Financial Statements - Discretely Presented Component Unit
Balance Sheet

	DOWNTOWN DEVELOPMENT AUTHORITY FUND
Assets	
Current Assets	\$ <u><u>120,697</u></u>
Liabilities	
Current Liabilities	\$ 2,266
Fund Balance	<u>118,431</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>120,697</u></u>

CITY OF LAKE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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Statement of Revenues, Expenditures, and Changes in Fund Balance

	DOWNTOWN DEVELOPMENT AUTHORITY FUND
Revenues	\$ 49,985
Expenditures	
Economic Development	\$ 395
Debt Service	31,839
Total Expenditures	\$ 32,234
Excess of Revenues Over (Under) Expenditures	\$ 17,751
Other Financing Sources (Uses)	
Transfers In	\$ 31,839
Transfers Out	(31,839)
Total Other Financing Sources (Uses)	\$ 0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Sources (Uses)	\$ 17,751
Fund Balance - Beginning of Year	100,680
Fund Balance - End of Year	\$ 118,431

E. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City carries commercial insurance for casualty, workers' disability compensation, employee health and accident insurance.

F. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays as annual base amount equal to one-half

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the City pays for each fire run within the City.

For the year ended March 31, 2005, the City contributed a total of \$16,692 to the Fire Authority, of which \$750 was for fire runs within the City.

The following financial information was taken from the Fire Authority's March 31, 2004 audited financial statements.

Total Assets	\$ 1,235,721
Investment in Capital Assets	1,175,195
Fund Balance - Unreserved	60,526
Total Receipts	104,057
Total Disbursements	83,002
Net Increase (Decrease) in Fund Balance	21,055

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

CITY OF LAKE CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 173,899	\$ 173,899	\$ 180,098	\$ 6,199	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,394	\$ 28,394	\$ 30,051	\$ 1,657
Licenses and Permits	1,500	1,500	1,519	19	0	0	0	0	0	0	0	0
State Grants	85,460	73,000	87,182	14,182	53,000	57,000	57,100	100	26,000	28,000	29,096	1,096
Charges for Services	44,000	44,000	44,287	287	1,000	0	0	0	6,500	9,100	0	(9,100)
Interest and Rents	20,500	21,850	24,784	2,934	350	55	62	7	300	80	104	24
Other Revenue	16,700	22,417	12,278	(10,139)	600	0	0	0	0	4,700	2,295	(2,405)
Total Revenues	\$ 342,059	\$ 336,666	\$ 350,148	\$ 13,482	\$ 54,950	\$ 57,055	\$ 57,162	\$ 107	\$ 61,194	\$ 70,274	\$ 61,546	\$ (8,728)
<u>EXPENDITURES</u>												
Legislative	\$ 18,450	\$ 18,450	\$ 16,684	\$ 1,766	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	118,712	133,755	122,954	10,801	0	0	0	0	0	0	0	0
Public Works	83,680	91,590	90,346	1,244	55,655	57,450	53,143	4,307	55,310	96,675	94,369	2,306
Community and Economic Development	9,055	7,105	7,044	61		0	0	0	0	0	0	0
Culture and Recreation	90,520	105,745	100,323	5,422		0	0	0	0	0	0	0
Total Expenditures	\$ 320,417	\$ 356,645	\$ 337,351	\$ 19,294	\$ 55,655	\$ 57,450	\$ 53,143	\$ 4,307	\$ 55,310	\$ 96,675	\$ 94,369	\$ 2,306
Net Change in Fund Balance	\$ 21,642	\$ (19,979)	\$ 12,797	\$ 32,776	\$ (705)	\$ (395)	\$ 4,019	\$ 4,414	\$ 5,884	\$ (26,401)	\$ (32,823)	\$ (6,422)
<u>FUND BALANCE</u> - Beginning of Year	411,658	411,658	411,658	0	57,268	57,268	57,268	0	71,146	71,146	71,146	0
<u>FUND BALANCE</u> - End of Year	\$ 433,300	\$ 391,679	\$ 424,455	\$ 32,776	\$ 56,563	\$ 56,873	\$ 61,287	\$ 4,414	\$ 77,030	\$ 44,745	\$ 38,323	\$ (6,422)

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the operating fund of the City. It is used to account for the resources devoted to finance the services traditionally associated with local government, except those activities that are required to be accounted for in another fund. Transactions are recorded on the modified accrual basis.

MAJOR STREET FUND

The Major Street Fund accounts for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

LOCAL STREET FUND

The Local Street Fund receives all local street money paid to the City by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

1997 SANITARY DRAIN DEBT RETIREMENT FUND

The 1997 Sanitary Drain Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of the 1997 Sanitary Drain Fund Bonds principal, interest and related costs.

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

<u>ASSETS</u>		2005	2004
Cash		\$ 407,438	\$ 223,400
Accounts Receivable		3,848	3,790
Taxes Receivable		28,671	0
Due from Other Funds		2,710	185,308
Due from Other Governments		11,068	9,982
Prepaid Expenditures		1,290	1,649
TOTAL ASSETS		<u>\$ 455,025</u>	<u>\$ 424,129</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable		\$ 14,727	\$ 9,633
Accrued Expenditures		3,365	2,406
Due to Other Funds		9,485	432
Deferred Revenue		2,993	0
Total Liabilities		<u>\$ 30,570</u>	<u>\$ 12,471</u>
<u>FUND BALANCE</u>			
Reserved for Prepaid Expenditures		\$ 1,290	\$ 1,649
Unreserved		423,165	410,009
Total Fund Balance		<u>\$ 424,455</u>	<u>\$ 411,658</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 455,025</u>	<u>\$ 424,129</u>

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 173,899	\$ 180,098	\$ 172,674
Licenses and Permits	1,500	1,519	1,196
State Grants	73,000	87,182	85,228
Charges for Services	44,000	44,287	44,130
Interest and Rents	21,850	24,784	23,153
Other Revenue	22,417	12,278	13,426
Total Revenues	<u>\$ 336,666</u>	<u>\$ 350,148</u>	<u>\$ 339,807</u>
<u>EXPENDITURES</u>			
Legislative	\$ 18,450	\$ 16,684	\$ 15,487
General Government			
Elections	2,970	2,635	994
Independent Accounting and Audit	6,350	6,350	6,350
Assessor	14,050	13,973	13,853
Clerk	26,370	24,547	25,631
Treasurer	22,725	22,118	21,132
Buildings and Grounds	51,290	50,955	46,487
Other Functions	10,000	2,376	5,812
Public Works	91,590	90,346	87,771
Community and Economic Development	7,105	7,044	4,927
Culture and Recreation	105,745	100,323	76,777
Total Expenditures	<u>\$ 356,645</u>	<u>\$ 337,351</u>	<u>\$ 305,221</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (19,979)</u>	<u>\$ 12,797</u>	<u>\$ 34,586</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>411,658</u>	<u>411,658</u>	<u>377,072</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 391,679</u>	<u>\$ 424,455</u>	<u>\$ 411,658</u>

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>TAXES</u>			
Current Property Tax Levy	\$ 164,799	\$ 165,317	\$ 162,602
Property Tax Administration Fee	9,100	9,713	9,370
Delinquent Taxes	0	5,068	702
Total Taxes	\$ 173,899	\$ 180,098	\$ 172,674
<u>LICENSES AND PERMITS</u>			
Building and Zoning Permits	\$ 1,500	\$ 1,519	\$ 1,196
<u>STATE GRANTS</u>			
Sales and Use Tax	\$ 73,000	\$ 83,059	\$ 85,228
Telecommunications Right of Way Maintenance	0	4,123	0
Total State Grants	\$ 73,000	\$ 87,182	\$ 85,228
<u>CHARGES FOR SERVICES</u>			
Refuse Collection	\$ 44,000	\$ 42,339	\$ 44,130
Summer Tax Collection	0	1,948	0
Total Charges for Services	\$ 44,000	\$ 44,287	\$ 44,130
<u>INTEREST AND RENTS</u>			
Interest	\$ 350	\$ 1,936	\$ 2,213
Maple Grove Rent	21,500	22,848	20,940
Total Interest and Rents	\$ 21,850	\$ 24,784	\$ 23,153

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER REVENUE</u>			
Refunds and Miscellaneous	\$ 1,000	\$ 3,792	\$ 4,944
Franchise Fees	7,200	8,374	8,482
FOIA Fees	0	112	0
Other Revenue	14,217	0	0
Total Other Revenue	\$ 22,417	\$ 12,278	\$ 13,426
TOTAL REVENUES	\$ 336,666	\$ 350,148	\$ 339,807

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>LEGISLATIVE</u>			
Mayor and City Council			
Personal Services	\$ 17,000	\$ 15,129	\$ 14,258
Continuing Education	0	69	0
Supplies	100	70	14
Dues	750	742	0
Miscellaneous	600	674	1,215
	<u>\$ 18,450</u>	<u>\$ 16,684</u>	<u>\$ 15,487</u>
<u>GENERAL GOVERNMENT</u>			
Elections			
Personal Services	\$ 2,720	\$ 2,481	\$ 826
Supplies	100	14	84
Miscellaneous	150	140	84
	<u>\$ 2,970</u>	<u>\$ 2,635</u>	<u>\$ 994</u>
Independent Audit			
Audit Fees	\$ 6,350	\$ 6,350	\$ 6,350
Assessor			
Supplies	\$ 50	\$ 13	\$ 0
Contracted Services	14,000	13,960	13,853
	<u>\$ 14,050</u>	<u>\$ 13,973</u>	<u>\$ 13,853</u>
Clerk			
Personal Services	\$ 14,000	\$ 13,963	\$ 14,130
Supplies	4,500	3,129	2,508
Contracted Services	3,200	2,982	2,740
Legal Advertisements	3,750	3,339	2,844
Dues	0	0	137
Utilities	0	246	0
Telephone	0	225	0
Repairs and Maintenance	0	0	221
Miscellaneous	320	65	141
Capital Outlay	600	598	2,910
	<u>\$ 26,370</u>	<u>\$ 24,547</u>	<u>\$ 25,631</u>

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
Treasurer			
Personal Services	\$ 14,000	\$ 13,963	\$ 13,978
Insurance	0	0	47
Supplies	4,500	4,277	3,606
Contracted Services	3,200	2,772	3,266
Utilities	25	21	0
Miscellaneous	150	356	98
Continued Education	250	131	0
Dues	0	0	137
Capital Outlay	600	598	0
	<u>\$ 22,725</u>	<u>\$ 22,118</u>	<u>\$ 21,132</u>
Buildings and Grounds			
Personal Services	\$ 16,190	\$ 15,193	\$ 17,615
Health and Life Insurance	4,650	4,665	3,418
Insurance	4,200	4,231	3,564
Supplies	4,200	4,413	3,053
Utilities	5,300	4,930	4,424
Telephone	2,000	1,869	2,691
Contracted Services	8,850	9,692	1,720
Dues	0	0	92
Repairs and Maintenance	1,350	2,063	3,423
Equipment Rental	2,500	1,869	4,487
Retirement	2,000	2,000	2,000
Miscellaneous	50	30	0
	<u>\$ 51,290</u>	<u>\$ 50,955</u>	<u>\$ 46,487</u>
Other Functions			
Personal Services	\$ 7,750	\$ 388	\$ 0
Supplies	900	0	0
Legal Advertisements	300	0	0
Contracted Services	1,000	1,000	4,948
Dues	50	0	425
Miscellaneous	0	988	439
	<u>\$ 10,000</u>	<u>\$ 2,376</u>	<u>\$ 5,812</u>

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>PUBLIC WORKS</u>			
Street Lighting	\$ 15,400	\$ 15,455	\$ 14,748
Sanitation			
Personal Services	\$ 15,200	\$ 14,884	\$ 13,890
Health and Life Insurance	2,100	2,052	1,782
Contracted Services	44,500	47,701	46,783
Supplies	1,200	1,231	516
Equipment Rental	9,000	8,852	9,083
Utilities	50	45	0
Repairs and Maintenance	4,000	0	448
Insurance	140	126	116
Miscellaneous	0	0	405
	<u>\$ 76,190</u>	<u>\$ 74,891</u>	<u>\$ 73,023</u>
<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>			
Planning and Zoning			
Personal Services	\$ 6,005	\$ 6,138	\$ 4,224
Supplies	200	23	66
Contracted Services	900	883	0
Legal Advertisements	0	0	427
Dues and Miscellaneous	0	0	210
	<u>\$ 7,105</u>	<u>\$ 7,044</u>	<u>\$ 4,927</u>
<u>CULTURE AND RECREATION</u>			
Parks and Recreation			
Personal Services	\$ 37,950	\$ 35,488	\$ 30,180
Health and Life Insurance	7,800	8,216	6,109
Legal Advertisements	265	265	0
Retirement	2,000	2,000	2,000
Uniforms	300	177	241
Insurance	430	421	387
Supplies	5,000	4,162	3,641
Contracted Services	8,900	11,276	3,086
Utilities	6,700	7,178	6,551

CITY OF LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Telephone	700	556	922
Repairs and Maintenance	9,500	14,662	7,455
Equipment Rentals	12,500	15,068	12,277
Capital Outlay	13,000	0	3,186
Dues and Miscellaneous	700	854	742
	<u>\$ 105,745</u>	<u>\$ 100,323</u>	<u>\$ 76,777</u>
 TOTAL EXPENDITURES	 <u>\$ 356,645</u>	 <u>\$ 337,351</u>	 <u>\$ 305,221</u>

CITY OF LAKE CITY, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 45,950	\$ 30,987
Accounts Receivable	0	2,416
Due from Other Funds	4,895	7,026
Due from Other Governments	12,368	18,129
Prepaid Expenditures	41	60
TOTAL ASSETS	<u>\$ 63,254</u>	<u>\$ 58,618</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,267	\$ 1,114
Accrued Expenditures	218	236
Due to Other Funds	482	0
Total Liabilities	<u>\$ 1,967</u>	<u>\$ 1,350</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 41	\$ 60
Unreserved		
Designated for Street Improvements	61,246	57,208
Total Fund Balance	<u>\$ 61,287</u>	<u>\$ 57,268</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 63,254</u>	<u>\$ 58,618</u>

CITY OF LAKE CITY, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants	\$ 57,000	\$ 57,100	\$ 65,364
Interest	55	62	70
Total Revenues	<u>\$ 57,055</u>	<u>\$ 57,162</u>	<u>\$ 65,434</u>
<u>EXPENDITURES</u>			
Public Works			
Personal Services	\$ 7,500	\$ 6,654	\$ 8,648
Health and Life Insurance	1,500	1,787	1,178
Contracted Services	6,700	5,177	1,243
Audit	525	525	500
Repairs and Maintenance	23,000	21,761	6,366
Equipment Rental	15,000	14,290	21,876
Insurance	200	207	229
Miscellaneous	725	705	143
Supplies	2,300	2,037	229
Total Expenditures	<u>\$ 57,450</u>	<u>\$ 53,143</u>	<u>\$ 40,412</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (395)	\$ 4,019	\$ 25,022
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
Transportation Debt Retirement	<u>0</u>	<u>0</u>	<u>(20,854)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	\$ (395)	\$ 4,019	\$ 4,168
<u>FUND BALANCE</u> - Beginning of Year	<u>57,268</u>	<u>57,268</u>	<u>53,100</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 56,873</u>	<u>\$ 61,287</u>	<u>\$ 57,268</u>

CITY OF LAKE CITY, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 30,045	\$ 30,958
Taxes Receivable	4,823	0
Accounts Receivable	1,346	11,280
Due from Other Funds	1,662	31,367
Due from Other Governments	4,960	5,342
Prepaid Expenditures	41	65
	<hr/>	<hr/>
TOTAL ASSETS	\$ 42,877	\$ 79,012
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,230	\$ 1,005
Accrued Expenditures	380	366
Due to Other Funds	2,416	5,265
Due to Other Governments	0	1,230
Deferred Revenue	528	0
	<hr/>	<hr/>
Total Liabilities	\$ 4,554	\$ 7,866
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 41	\$ 65
Unreserved		
Designated for Street Improvements	38,282	71,081
	<hr/>	<hr/>
Total Fund Balance	\$ 38,323	\$ 71,146
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 42,877	\$ 79,012
	<hr/> <hr/>	<hr/> <hr/>

CITY OF LAKE CITY, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 28,394	\$ 30,051	\$ 28,091
State Grants	28,000	29,096	28,259
Charges for Services	9,100	0	11,280
Interest	80	104	70
Other Revenue	4,700	2,295	285
Total Revenues	\$ 70,274	\$ 61,546	\$ 67,985
<u>EXPENDITURES</u>			
Public Works			
Personal Services	\$ 7,900	\$ 7,468	\$ 7,327
Health and Life Insurance	2,100	2,096	1,518
Audit	525	525	500
Contracted Services	7,900	7,833	672
Repairs and Maintenance	56,850	56,142	4,626
Street Construction	0	0	23,288
Sidewalks	0	0	11,280
Equipment Rental	19,000	18,038	16,181
Insurance	200	213	273
Supplies	2,100	2,029	1,542
Miscellaneous	100	25	140
Total Expenditures	\$ 96,675	\$ 94,369	\$ 67,347
Excess (Deficiency) of Revenues Over Expenditures	\$ (26,401)	\$ (32,823)	\$ 638
<u>FUND BALANCE</u> - Beginning of Year	71,146	71,146	70,508
<u>FUND BALANCE</u> - End of Year	\$ 44,745	\$ 38,323	\$ 71,146

CITY OF LAKE CITY, MICHIGAN

1997 SANITARY DRAIN DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 12,796	\$ 112,527
Accounts Receivable	4,341	5,141
TOTAL ASSETS	<u>\$ 17,137</u>	<u>\$ 117,668</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 18,774	\$ 0
<u>FUND BALANCE (Deficit)</u>		
Reserved for Debt Service	<u>(1,637)</u>	<u>117,668</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,137</u>	<u>\$ 117,668</u>

CITY OF LAKE CITY, MICHIGAN

1997 SANITARY DRAIN DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	2005	2004
<u>REVENUES</u>		
Assessments to Users	\$ 60,199	\$ 61,653
Interest	87	181
Total Revenues	\$ 60,286	\$ 61,834
<u>EXPENDITURES</u>		
Debt Service		
Principal Retirement	\$ 170,000	\$ 35,000
Interest and Fiscal Charges	9,591	9,780
Total Expenditures	\$ 179,591	\$ 44,780
Excess (Deficiency) of Revenues Over Expenditures	\$ (119,305)	\$ 17,054
<u>FUND BALANCE</u> - Beginning of Year	117,668	100,614
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ (1,637)	\$ 117,668

MAJOR PROPRIETARY FUNDS

Water and Sewer Operating and Maintenance Funds

The Water and Sewer Operating and Maintenance Funds account for the provision of water and sewer services to the residents of the City and certain adjacent areas. All activities related to such services are accounted for in the water and sewer system funds which are generally self-supporting. Primary financing is provided through user-charges.

CITY OF LAKE CITY, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF NET ASSETS

MARCH 31,

<u>ASSETS</u>	2005	2004
<u>CURRENT ASSETS</u>		
Cash	\$ 73,916	\$ 55,428
Accounts Receivable	6,942	8,513
Inventory	32,632	32,632
Due from Other Funds	0	426
Prepaid Expense	1,211	1,184
Total Current Assets	\$ 114,701	\$ 98,183
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	\$ 77,020	\$ 74,807
Special Assessments Receivable	10,554	12,447
Total Restricted Assets	\$ 87,574	\$ 87,254
<u>CAPITAL ASSETS</u>		
Water Wells, Distribution System and Equipment	\$ 1,093,070	\$ 1,089,049
Less Accumulated Depreciation	(492,259)	(468,703)
Net Capital Assets	\$ 600,811	\$ 620,346
Total Noncurrent Assets	\$ 688,385	\$ 707,600
TOTAL ASSETS	\$ 803,086	\$ 805,783
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,440	\$ 3,826
Accrued Expenses	1,018	883
Due to Other Funds	0	3,550
Total Current Liabilities	\$ 6,458	\$ 8,259
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 600,811	\$ 620,346
Restricted for Improvements	87,574	87,254
Unrestricted	108,243	89,924
Total Net Assets	\$ 796,628	\$ 797,524
TOTAL LIABILITIES AND NET ASSETS	\$ 803,086	\$ 805,783

CITY OF LAKE CITY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 103,464	\$ 97,085
Hydrant Rental	8,400	8,400
Water Tower Rental	7,303	0
Other Revenue	228	7,212
	<hr/>	<hr/>
Total Operating Revenues	\$ 119,395	\$ 112,697
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 29,958	\$ 30,665
Retirement	2,000	2,000
Health Insurance	8,561	6,986
Uniforms	205	140
Supplies	3,123	4,847
Legal Advertisements	285	596
Contracted Services	1,512	3,749
Audit and Accounting Fees	1,000	1,000
Utilities	21,790	23,293
Repairs and Maintenance	3,885	33,391
Laboratory Analysis	9,759	9,730
Equipment Rental	5,035	7,583
Insurance	9,282	7,538
Continuing Education	350	0
Dues	971	697
Miscellaneous	0	7
Depreciation	23,556	23,028
	<hr/>	<hr/>
Total Operating Expenses	\$ 121,272	\$ 155,250
	<hr/>	<hr/>
Operating Income (Loss)	\$ (1,877)	\$ (42,553)
	<hr/>	<hr/>

CITY OF LAKE CITY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on Investments	\$ 788	\$ 806
Interest on Special Assessments	193	223
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 981	\$ 1,029
	<hr/>	<hr/>
Change in Net Assets	\$ (896)	\$ (41,524)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<hr/> 797,524	<hr/> 839,048
<u>TOTAL NET ASSETS</u> - End of Year	<hr/> <hr/> \$ 796,628	<hr/> <hr/> \$ 797,524

CITY OF LAKE CITY, MICHIGAN
WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 116,043	\$ 109,285
Cash Payments to Suppliers for Goods and Services	(64,600)	(115,121)
Cash Payments to Employees for Services	(29,823)	(30,474)
Other Operating Revenue	228	7,212
	<u>228</u>	<u>7,212</u>
Net Cash Provided (Used) for Operating Activities	\$ 21,848	\$ (29,098)
Cash Flows from Capital and Related Financing Activities:		
Collections of Special Assessments	\$ 1,893	\$ 1,091
Acquisitions and Construction of Capital Assets	(4,021)	(3,070)
	<u>(4,021)</u>	<u>(3,070)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (2,128)	\$ (1,979)
Cash Flows from Investing Activities:		
Interest on Investments	\$ 788	\$ 806
Interest on Special Assessments	193	223
	<u>193</u>	<u>223</u>
Net Cash Provided (Used) by Investing Activities	\$ 981	\$ 1,029
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 20,701	\$ (30,048)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>130,235</u>	<u>160,283</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 150,936</u>	<u>\$ 130,235</u>

CITY OF LAKE CITY, MICHIGAN
WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (1,877)	\$ (42,553)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	\$ 23,556	\$ 23,028
(Increase) Decrease in Current Assets		
Accounts Receivable	1,571	(2,257)
Due from Other Funds	426	250
Inventory	0	(11,422)
Prepaid Expense	(27)	(123)
Increase (Decrease) in Current Liabilities		
Accounts Payable	1,614	238
Other Accrued Expenses	135	191
Due to Other Funds	(3,550)	3,550
Total Adjustments	<u>\$ 23,725</u>	<u>\$ 13,455</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 21,848</u></u>	<u><u>\$ (29,098)</u></u>

CITY OF LAKE CITY, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS

MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 93,991	\$ 65,330
Accounts Receivable	9,925	14,816
Due from Other Funds	24,787	18,574
Prepaid Expense	1,293	1,308
Total Current Assets	<u>\$ 129,996</u>	<u>\$ 100,028</u>
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Cash	\$ 76,886	\$ 69,170
Special Assessments Receivable	90,644	110,356
Total Restricted Assets	<u>\$ 167,530</u>	<u>\$ 179,526</u>
<u>CAPITAL ASSETS</u>		
Equipment and Vehicles	\$ 192,363	\$ 191,286
Collection and Treatment System	1,761,113	1,761,113
Less Accumulated Depreciation	<u>(758,946)</u>	<u>(712,103)</u>
Net Capital Assets	<u>\$ 1,194,530</u>	<u>\$ 1,240,296</u>
Total Noncurrent Assets	<u>\$ 1,362,060</u>	<u>\$ 1,419,822</u>
TOTAL ASSETS	<u><u>\$ 1,492,056</u></u>	<u><u>\$ 1,519,850</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 6,092	\$ 11,659
Accrued Expenses	1,661	1,433
Due to Other Funds	<u>0</u>	<u>3,494</u>
Total Liabilities	<u>\$ 7,753</u>	<u>\$ 16,586</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 1,194,530	\$ 1,240,296
Restricted for Improvements	167,530	179,526
Unrestricted	<u>122,243</u>	<u>83,442</u>
Total Net Assets	<u>\$ 1,484,303</u>	<u>\$ 1,503,264</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,492,056</u></u>	<u><u>\$ 1,519,850</u></u>

CITY OF LAKE CITY, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED MARCH 31,

	2005	2004
<u>OPERATING REVENUES</u>		
Charges for Services and Connection Fees	\$ 152,578	\$ 140,827
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 48,888	\$ 48,243
Retirement	2,000	2,000
Health Insurance	8,425	6,786
Uniforms	351	249
Supplies	3,686	2,613
Contracted Services	1,280	5,658
Audit and Accounting Fees	1,000	1,000
Utilities	19,950	20,345
Repairs and Maintenance	28,222	21,465
Laboratory Analysis	5,480	5,005
Equipment Rental	1,468	1,212
Insurance	9,503	9,042
Dues	7,619	639
Miscellaneous	2,969	5
Depreciation	46,843	44,810
Total Operating Expenses	\$ 187,684	\$ 169,072
Operating Income (Loss)	\$ (35,106)	\$ (28,245)

CITY OF LAKE CITY, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on Investments	\$ 859	\$ 665
Interest on Special Assessments	10,854	14,145
Interest and Fiscal Charges	0	(261)
Other Revenue	4,432	0
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 16,145	\$ 14,549
	<hr/>	<hr/>
Change in Net Assets	\$ (18,961)	\$ (13,696)
<u>TOTAL NET ASSETS - Beginning of Year</u>	<u>1,503,264</u>	<u>1,516,960</u>
<u>TOTAL NET ASSETS - End of Year</u>	<u>\$ 1,484,303</u>	<u>\$ 1,503,264</u>

CITY OF LAKE CITY, MICHIGAN
SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 151,256	\$ 133,928
Cash Payments to Suppliers for Goods and Services	(100,999)	(76,915)
Cash Payments to Employees for Services	(48,660)	(47,966)
	<u>\$ 1,597</u>	<u>\$ 9,047</u>
Cash Flows from Capital and Related Financing Activities:		
Collections of Special Assessments	\$ 19,712	\$ 40,883
Acquisitions and Construction of Capital Assets	(1,077)	(54,197)
Payment on Advance from General Fund	0	(7,200)
Principal Paid on Revenue Bond Maturities	0	(30,000)
Interest Paid on Revenue Bonds	0	(1,141)
Other Revenue Received	4,432	0
	<u>\$ 23,067</u>	<u>\$ (51,655)</u>
Cash Flows from Investing Activities:		
Interest on Investments	\$ 859	\$ 665
Interest on Special Assessments	10,854	14,145
	<u>\$ 11,713</u>	<u>\$ 14,810</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 36,377	\$ (27,798)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>134,500</u>	<u>162,298</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 170,877</u></u>	<u><u>\$ 134,500</u></u>

CITY OF LAKE CITY, MICHIGAN
SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (35,106)	\$ (28,245)
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	\$ 46,843	\$ 44,810
(Increase) Decrease in Current Assets		
Accounts Receivable	4,891	(6,899)
Due from Other Funds	(6,213)	(7,854)
Prepaid Expense	15	(55)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(5,567)	3,519
Other Accrued Expenses	228	3,494
Due to Other Funds	(3,494)	277
Total Adjustments	\$ 36,703	\$ 37,292
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,597</u>	<u>\$ 9,047</u>

CITY OF LAKE CITY, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET

MARCH 31, 2005

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>ASSETS</u>			
Cash	\$ 112,523	\$ 1	\$ 112,524
Taxes Receivable	8,039	0	8,039
Due from Other Funds	684	0	684
Prepaid Expenditures	188	0	188
	<hr/>		
TOTAL ASSETS	\$ 121,434	\$ 1	\$ 121,435
<hr/>			
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,072	\$ 0	\$ 3,072
Accrued Expenditures	288	0	288
Deferred Revenues	880	0	880
	<hr/>		
Total Liabilities	\$ 4,240	\$ 0	\$ 4,240
<hr/>			
<u>FUND BALANCE</u>			
Reserved for:			
Prepaid Expenditures	\$ 188	\$ 0	\$ 188
Debt Service	0	1	1
Unreserved:			
Designated for:			
Fire Protection	45,099	0	45,099
Law Enforcement	49,962	0	49,962
Undesignated	21,945	0	21,945
	<hr/>		
Total Fund Balance	\$ 117,194	\$ 1	\$ 117,195
<hr/>			
TOTAL LIABILITIES AND FUND BALANCE	\$ 121,434	\$ 1	\$ 121,435
<hr/>			

CITY OF LAKE CITY, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2005

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>REVENUES</u>			
Taxes and Special Assessments	\$ 50,084	\$ 0	\$ 50,084
State Grants	2,298	0	2,298
Charges for Services	20,260	0	20,260
Interest and Rents	207	0	207
Total Revenues	\$ 72,849	\$ 0	\$ 72,849
<u>EXPENDITURES</u>			
General Government	\$ 37,504	\$ 0	\$ 37,504
Public Safety	32,227	0	32,227
Total Expenditures	\$ 69,731	\$ 0	\$ 69,731
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,118	\$ 0	\$ 3,118
<u>FUND BALANCES</u> - Beginning of Year	114,076	1	114,077
<u>FUND BALANCES</u> - End of Year	\$ 117,194	\$ 1	\$ 117,195

NONMAJOR SPECIAL REVENUE FUNDS

FIRE FUND

The Fire Fund accounts for revenue set aside for the purpose of providing fire protection services.

LAW FUND

The Law Fund accounts for revenue set aside for law enforcement.

CEMETERY FUND

The Cemetery Fund accounts for revenue set aside for the purpose of providing cemetery services for City residents.

CITY OF LAKE CITY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

MARCH 31, 2005

	<u>ASSETS</u>	<u>FIRE</u>	<u>LAW</u>	<u>CEMETERY</u>	<u>TOTALS</u>
Cash		\$ 41,163	\$ 48,518	\$ 22,842	\$ 112,523
Taxes Receivable		4,019	1,608	2,412	8,039
Due from Other Funds		357	131	196	684
Prepaid Expenditures		0	0	188	188
TOTAL ASSETS		<u>\$ 45,539</u>	<u>\$ 50,257</u>	<u>\$ 25,638</u>	<u>\$ 121,434</u>
	<u>LIABILITIES AND FUND BALANCE</u>				
	<u>LIABILITIES</u>				
Accounts Payable		\$ 0	\$ 119	\$ 2,953	\$ 3,072
Accrued Expenditures		0	0	288	288
Deferred Revenue		440	176	264	880
Total Liabilities		<u>\$ 440</u>	<u>\$ 295</u>	<u>\$ 3,505</u>	<u>\$ 4,240</u>
	<u>FUND BALANCE</u>				
Reserved for Prepaid Expenditures		\$ 0	\$ 0	\$ 188	\$ 188
Unreserved		45,099	49,962	21,945	117,006
Total Fund Balance		<u>\$ 45,099</u>	<u>\$ 49,962</u>	<u>\$ 22,133</u>	<u>\$ 117,194</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 45,539</u>	<u>\$ 50,257</u>	<u>\$ 25,638</u>	<u>\$ 121,434</u>

CITY OF LAKE CITY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2005

	<u>FIRE</u>	<u>LAW</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>REVENUES</u>				
Taxes	\$ 25,042	\$ 10,017	\$ 15,025	\$ 50,084
State Grants	0	2,298	0	2,298
Charges for Services	0	0	20,260	20,260
Interest	100	72	35	207
Total Revenues	<u>\$ 25,142</u>	<u>\$ 12,387</u>	<u>\$ 35,320</u>	<u>\$ 72,849</u>
<u>EXPENDITURES</u>				
General Government	\$ 0	\$ 0	\$ 37,504	\$ 37,504
Public Safety	25,542	6,685	0	32,227
Total Expenditures	<u>\$ 25,542</u>	<u>\$ 6,685</u>	<u>\$ 37,504</u>	<u>\$ 69,731</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (400)	\$ 5,702	\$ (2,184)	\$ 3,118
				0
<u>FUND BALANCE</u> - Beginning of Year	<u>45,499</u>	<u>44,260</u>	<u>24,317</u>	<u>114,076</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 45,099</u>	<u>\$ 49,962</u>	<u>\$ 22,133</u>	<u>\$ 117,194</u>

CITY OF LAKE CITY, MICHIGAN

FIRE FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 41,163	\$ 21,523
Accounts Receivable	0	1,350
Taxes Receivable	4,019	0
Due from Other Funds	357	23,153
TOTAL ASSETS	<u>\$ 45,539</u>	<u>\$ 46,026</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 450
Due to Other Funds	0	77
Deferred Revenue	440	0
Total Liabilities	\$ 440	\$ 527
<u>FUND BALANCE</u>		
Unreserved		
Designated for Fire Protection	45,099	45,499
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 45,539</u>	<u>\$ 46,026</u>

CITY OF LAKE CITY, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 23,022	\$ 25,042	\$ 22,844
Interest	50	100	72
Other	0	0	232
Total Revenues	\$ 23,072	\$ 25,142	\$ 23,148
<u>EXPENDITURES</u>			
Public Safety			
Contracted Services	\$ 0	\$ 1,620	\$ 750
Hydrant Rental	8,400	8,400	8,400
Audit	450	450	450
Miscellaneous	5,750	0	0
Aid to Other Governments	10,100	15,072	9,685
Total Expenditures	\$ 24,700	\$ 25,542	\$ 19,285
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,628)	\$ (400)	\$ 3,863
<u>FUND BALANCE</u> - Beginning of Year	45,499	45,499	41,636
<u>FUND BALANCE</u> - End of Year	\$ 43,871	\$ 45,099	\$ 45,499

CITY OF LAKE CITY, MICHIGAN

LAW FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 48,518	\$ 35,302
Taxes Receivable	1,608	0
Due from Other Funds	131	9,646
Prepaid Expenditures	0	20
TOTAL ASSETS	<u>\$ 50,257</u>	<u>\$ 44,968</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 119	\$ 644
Due to Other Funds	0	64
Deferred Revenue	176	0
Total Liabilities	<u>\$ 295</u>	<u>\$ 708</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 0	\$ 20
Unreserved		
Designated for Law Enforcement	49,962	44,240
Total Fund Balance	<u>\$ 49,962</u>	<u>\$ 44,260</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 50,257</u>	<u>\$ 44,968</u>

CITY OF LAKE CITY, MICHIGAN

LAW FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 9,596	\$ 10,017	\$ 9,548
State Grants	2,200	2,298	2,263
Interest	55	72	79
Other Revenue	0	0	409
Total Revenues	\$ 11,851	\$ 12,387	\$ 12,299
<u>EXPENDITURES</u>			
Public Safety			
Personal Services	\$ 1,750	\$ 1,729	\$ 886
Legal Advertisements	0	0	1,181
Health and Life Insurance	0	421	306
Contracted Services	4,000	3,145	7,137
Supplies	400	381	183
Audit	500	500	500
Equipment Rentals	500	484	366
Insurance	400	20	65
Miscellaneous	25	5	228
Total Expenditures	\$ 7,575	\$ 6,685	\$ 10,852
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,276	\$ 5,702	\$ 1,447
<u>FUND BALANCE</u> - Beginning of Year	44,260	44,260	42,813
<u>FUND BALANCE</u> - End of Year	\$ 48,536	\$ 49,962	\$ 44,260

CITY OF LAKE CITY, MICHIGAN

CEMETERY FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 22,842	\$ 9,926
Taxes Receivable	2,412	0
Due from Other Funds	196	14,604
Prepaid Expenditures	188	206
TOTAL ASSETS	<u>\$ 25,638</u>	<u>\$ 24,736</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,953	\$ 206
Accrued Expenditures	288	115
Due to Other Funds	0	98
Deferred Revenue	264	0
Total Liabilities	<u>\$ 3,505</u>	<u>\$ 419</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 188	\$ 206
Unreserved	21,945	24,111
Total Fund Balance	<u>\$ 22,133</u>	<u>\$ 24,317</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,638</u>	<u>\$ 24,736</u>

CITY OF LAKE CITY, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 14,389	\$ 15,025	\$ 14,281
Charges for Services	19,500	20,260	13,820
Interest	25	35	29
Other Revenue	0	0	145
Total Revenues	\$ 33,914	\$ 35,320	\$ 28,275
<u>EXPENDITURES</u>			
General Government			
Personal Services	\$ 15,000	\$ 14,843	\$ 15,837
Health and Life Insurance	10,000	10,556	8,272
Uniforms	200	108	200
Supplies	800	804	738
Contracted Services	1,500	4,010	915
Audit	450	450	500
Utilities	200	112	244
Repairs and Maintenance	1,575	1,213	886
Equipment Rentals	5,500	4,075	2,534
General Insurance	1,240	1,227	1,218
Miscellaneous	25	106	0
Dues	0	0	42
Capital Outlay	0	0	1,075
Total Expenditures	\$ 36,490	\$ 37,504	\$ 32,461
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,576)	\$ (2,184)	\$ (4,186)
<u>FUND BALANCE</u> - Beginning of Year	24,317	24,317	28,503
<u>FUND BALANCE</u> - End of Year	\$ 21,741	\$ 22,133	\$ 24,317

NONMAJOR DEBT SERVICE FUNDS

TRANSPORTATION DEBT RETIREMENT FUND

The Transportation Debt Retirement Fund accounts for the accumulation of resources for, and the payment of the 1995 Michigan Transportation Fund Bonds principal, interest and related costs.

CITY OF LAKE CITY, MICHIGAN

TRANSPORTATION DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	<u>\$ 1</u>	<u>\$ 1</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>1</u>	<u>1</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1</u>	<u>\$ 1</u>

CITY OF LAKE CITY, MICHIGAN

TRANSPORTATION DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>EXPENDITURES</u>		
Debt Service		
Principal Retirement	\$ 0	\$ 20,000
Interest and Fiscal Charges	0	854
	<u>0</u>	<u>20,854</u>
Total Expenditures	<u>\$ 0</u>	<u>\$ 20,854</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (20,854)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In - Major Street	0	20,854
	<u>0</u>	<u>20,854</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	<u>1</u>	<u>1</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1</u>	<u>\$ 1</u>

INTERNAL SERVICE FUND

EQUIPMENT FUND

The Equipment Fund accounts for the rental of equipment to other departments and related costs.

CITY OF LAKE CITY, MICHIGAN

EQUIPMENT FUND

COMPARATIVE STATEMENT OF NET ASSETS

MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 182,384	\$ 139,596
Due from Other Funds	0	59
Prepaid Insurance	1,229	1,141
Total Current Assets	<u>\$ 183,613</u>	<u>\$ 140,796</u>
<u>NONCURRENT ASSETS</u>		
<u>CAPITAL ASSETS</u>		
Equipment	\$ 351,741	\$ 351,741
Less Accumulated Depreciation	(250,077)	(225,643)
Net Capital Assets	<u>\$ 101,664</u>	<u>\$ 126,098</u>
TOTAL ASSETS	<u><u>\$ 285,277</u></u>	<u><u>\$ 266,894</u></u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 2,347	\$ 1,713
Accrued Expenses	221	265
TOTAL LIABILITIES	<u>\$ 2,568</u>	<u>\$ 1,978</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 101,664	\$ 126,098
Unrestricted	181,045	138,818
TOTAL NET ASSETS	<u>\$ 282,709</u>	<u>\$ 264,916</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 285,277</u></u>	<u><u>\$ 266,894</u></u>

CITY OF LAKE CITY, MICHIGAN

EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Equipment Rental	\$ 69,178	\$ 75,600
Other Revenue	516	0
	<hr/>	<hr/>
Total Operating Revenues	\$ 69,694	\$ 75,600
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 3,760	\$ 3,333
Health and Life Insurance	1,997	1,713
Supplies	372	2,145
Gasoline and Oil	3,770	3,653
Audit	500	500
Repairs and Maintenance	7,990	6,226
Insurance	9,990	9,091
Depreciation	24,434	23,674
	<hr/>	<hr/>
Total Operating Expenses	\$ 52,813	\$ 50,335
	<hr/>	<hr/>
Operating Income (Loss)	\$ 16,881	\$ 25,265
	<hr/>	<hr/>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Revenue	912	899
	<hr/>	<hr/>
Change in Net Assets	\$ 17,793	\$ 26,164
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u> - Beginning of Year	264,916	238,752
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u> - End of Year	\$ 282,709	\$ 264,916
	<hr/>	<hr/>

CITY OF LAKE CITY, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Interfund Services		
Provided and Used	\$ 69,753	\$ 74,291
Cash Payments to Suppliers for Goods and Services	(24,589)	(22,355)
Cash Payments to Employees for Services	(3,804)	(3,180)
Other Operating Revenue	516	0
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 41,876	\$ 48,756
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	\$ 0	\$ (26,674)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest on Investments	\$ 912	\$ 899
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 42,788	\$ 22,981
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	139,596	116,615
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 182,384</u>	<u>\$ 139,596</u>
	<hr/>	<hr/>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u> <u>PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 16,881	\$ 25,265
	<hr/>	<hr/>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	\$ 24,434	\$ 23,674
(Increase) Decrease in Current Assets		
Due from Other Funds	59	(59)
Prepaid Insurance	(88)	(165)
Increase (Decrease) in Current Liabilities		
Accounts Payable	634	1,138
Accrued Expenses	(44)	153
Due to Other Funds	0	(1,250)
	<hr/>	<hr/>
Total Adjustments	\$ 24,995	\$ 23,491
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,876</u>	<u>\$ 48,756</u>
	<hr/>	<hr/>

AGENCY FUNDS

TAX COLLECTION FUND

The Tax Collection Fund accounts for the collection and payment of property tax levies received by the City in an agency capacity.

PAYROLL FUND

The Payroll Fund accounts for payroll transactions of the City.

CITY OF LAKE CITY, MICHIGAN
AGENCY FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2005
WITH COMPARATIVE TOTALS FOR MARCH 31, 2004

	TAX COLLECTION FUND	PAYROLL FUND	TOTALS	
			2005	2004
<u>ASSETS</u>				
Cash	\$ 12,897	\$ 201	\$ 13,098	\$ 334,344
Receivables				
Accounts Receivable	0	66	66	2,166
Taxes	0	0	0	65,625
Due from Other Funds	0	175	175	354
Due from Other Governments	90	0	90	0
TOTAL ASSETS	<u>\$ 12,987</u>	<u>\$ 442</u>	<u>\$ 13,429</u>	<u>\$ 402,489</u>
<u>LIABILITIES</u>				
Withholding Deductions and				
Accrued Expenses	\$ 0	\$ 54	\$ 54	\$ 92
Due to Other Governments	9,619	0	9,619	124,860
Due to Other Funds	3,368	388	3,756	277,537
TOTAL LIABILITIES	<u>\$ 12,987</u>	<u>\$ 442</u>	<u>\$ 13,429</u>	<u>\$ 402,489</u>

CITY OF LAKE CITY, MICHIGAN
AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2005

	BALANCE 4/1/2004	INCREASES	DECREASES	BALANCE 3/31/2005
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 334,344	\$ 1,226,162	\$ 1,547,408	\$ 13,098
Receivables				
Accounts Receivable	2,166	5,120	7,220	66
Taxes	65,625	0	65,625	0
Due from Other Funds	354	232,766	232,945	175
Due from Other Governments	0	90	0	90
TOTAL ASSETS	<u>\$ 402,489</u>	<u>\$ 1,464,138</u>	<u>\$ 1,853,198</u>	<u>\$ 13,429</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 2,809	\$ 2,809	\$ 0
Withholding Deductions	92	53,185	53,223	54
Due to Other Governments	124,860	634,053	749,294	9,619
Due to Other Funds	277,537	227,257	501,038	3,756
TOTAL LIABILITIES	<u>\$ 402,489</u>	<u>\$ 917,304</u>	<u>\$ 1,306,364</u>	<u>\$ 13,429</u>

CITY OF LAKE CITY, MICHIGAN

TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	INCREASES	DECREASES	3/31/2005
<u>ASSETS</u>				
Cash	\$ 333,251	\$ 947,849	\$ 1,268,203	\$ 12,897
Accounts Receivable	2,166	0	2,166	0
Taxes Receivable	65,625	0	65,625	0
Due from Other Governments	0	90	0	90
TOTAL ASSETS	\$ 401,042	\$ 947,939	\$ 1,335,994	\$ 12,987
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 2,809	\$ 2,809	\$ 0
Due to Other Governments	124,860	634,053	749,294	9,619
Due to Other Funds	276,182	226,869	499,683	3,368
TOTAL LIABILITIES	\$ 401,042	\$ 863,731	\$ 1,251,786	\$ 12,987

CITY OF LAKE CITY, MICHIGAN

PAYROLL FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	INCREASES	DECREASES	3/31/2005
<u>ASSETS</u>				
Cash	\$ 1,093	\$ 278,313	\$ 279,205	\$ 201
Accounts Receivable	0	5,120	5,054	66
Due from Other Funds	354	232,766	232,945	175
TOTAL ASSETS	\$ 1,447	\$ 516,199	\$ 517,204	\$ 442
<u>LIABILITIES</u>				
Withholding Deductions	\$ 92	\$ 53,185	\$ 53,223	\$ 54
Due to Other Funds	1,355	388	1,355	388
TOTAL LIABILITIES	\$ 1,447	\$ 53,573	\$ 54,578	\$ 442

COMPONENT UNITS

DOWNTOWN DEVELOPMENT AUTHORITY FUND

The Downtown Development Authority Fund is designed to assist in the economic growth of the central business district.

DOWNTOWN DEVELOPMENT AUTHORITY 2000 DEBT RETIREMENT FUND

The Downtown Development Authority 2000 Debt Retirement Fund accounts for the accumulation of resources to pay the 2000 DDA Bond principal and interest.

CITY OF LAKE CITY, MICHIGAN

COMPONENT UNITS
COMBINING BALANCE SHEET

MARCH 31, 2005
WITH COMPARATIVE TOTALS FOR MARCH 31, 2004

	DOWNTOWN DEVELOPMENT AUTHORITY FUND	DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUND	TOTALS	
			2005	2004
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash	\$ 112,457	\$ 0	\$ 112,457	\$ 49,699
Taxes Receivable	7,010	0	7,010	0
Due from Other Funds	0	1,230	1,230	0
Due from Other Governments	0	0	0	50,981
TOTAL ASSETS	<u>\$ 119,467</u>	<u>\$ 1,230</u>	<u>\$ 120,697</u>	<u>\$ 100,680</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 1,230	\$ 0	\$ 1,230	\$ 0
Due to Other Governments	90	0	90	0
Deferred Revenue	946	0	946	0
Total Liabilities	<u>\$ 2,266</u>	<u>\$ 0</u>	<u>\$ 2,266</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>				
Reserved	\$ 0	\$ 1,230	\$ 1,230	\$ 1,230
Unreserved	117,201	0	117,201	99,450
Total Fund Balance	<u>\$ 117,201</u>	<u>\$ 1,230</u>	<u>\$ 118,431</u>	<u>\$ 100,680</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 119,467</u>	<u>\$ 1,230</u>	<u>\$ 120,697</u>	<u>\$ 100,680</u>

CITY OF LAKE CITY, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2005

WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2004

	DOWNTOWN DEVELOPMENT AUTHORITY FUND	DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUND	TOTALS	
			2005	2004
<u>REVENUES</u>				
Taxes	\$ 49,690	\$ 0	\$ 49,690	\$ 43,155
Interest	295	0	295	402
Other	0	0	0	2,678
Total Revenues	\$ 49,985	\$ 0	\$ 49,985	\$ 46,235
<u>EXPENDITURES</u>				
Economic Development	\$ 395	\$ 0	\$ 395	\$ 5,982
Debt Service				
Principal	0	15,000	15,000	25,000
Interest	0	16,839	16,839	18,139
Total Expenditures	\$ 395	\$ 31,839	\$ 32,234	\$ 49,121
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,590	\$ (31,839)	\$ 17,751	\$ (2,886)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ 0	\$ 31,839	\$ 31,839	\$ 39,037
Transfers Out	(31,839)	0	(31,839)	(39,037)
Total Other Financing Sources (Uses)	\$ (31,839)	\$ 31,839	\$ 0	\$ 0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Sources (Uses)	\$ 17,751	\$ 0	\$ 17,751	\$ (2,886)
<u>FUND BALANCE</u> - Beginning of Year	99,450	1,230	100,680	103,566
<u>FUND BALANCE</u> - End of Year	\$ 117,201	\$ 1,230	\$ 118,431	\$ 100,680

CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 112,457	\$ 49,699
Taxes Receivable	7,010	0
Due from Other Governments	0	49,751
TOTAL ASSETS	<u>\$ 119,467</u>	<u>\$ 99,450</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 1,230	\$ 0
Due to Other Governments	90	0
Deferred Revenue	946	0
Total Liabilities	\$ 2,266	\$ 0
<u>FUND BALANCE</u>		
Unreserved	117,201	99,450
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 119,467</u>	<u>\$ 99,450</u>

CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	2005	2004
<u>REVENUES</u>		
Taxes		
Current Property Tax	\$ 49,690	\$ 42,272
Delinquent Taxes	0	883
Interest	295	391
Other Revenue	0	2,678
Total Revenues	\$ 49,985	\$ 46,224
<u>EXPENDITURES</u>		
Economic Development		
Improvements/Contracted Services	\$ 0	\$ 5,982
Miscellaneous	395	0
Total Expenditures	\$ 395	\$ 5,982
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,590	\$ 40,242
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers (Out)	(31,839)	(39,037)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ 17,751	\$ 1,205
<u>FUND BALANCE</u> - Beginning of Year	99,450	98,245
<u>FUND BALANCE</u> - End of Year	\$ 117,201	\$ 99,450

CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY 2000 DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Due from Other Funds	\$ 1,230	\$ 0
Due from Other Governments	0	1,230
TOTAL ASSETS	<u>\$ 1,230</u>	<u>\$ 1,230</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	1,230	1,230
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,230</u>	<u>\$ 1,230</u>

CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY 2000 DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>EXPENDITURES</u>		
Debt Retirement		
Principal	\$ 15,000	\$ 15,000
Interest on Bonded Debt	<u>16,839</u>	<u>17,619</u>
Total Expenditures	<u>\$ 31,839</u>	<u>\$ 32,619</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,839)	\$ (32,619)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	<u>31,839</u>	<u>32,619</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	<u>1,230</u>	<u>1,230</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 1,230</u></u>	<u><u>\$ 1,230</u></u>

CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT SERIES 2000 BONDS PAYABLE

MARCH 31, 2005

<u>DATE OF ISSUE</u>	May 1, 2000	
<u>AMOUNT OF ISSUE</u>		\$ 350,000
<u>AMOUNT REDEEMED</u>		
Prior Year	\$ 40,000	
Current Year	<u>15,000</u>	<u>55,000</u>
<u>BALANCE OUTSTANDING</u> - March 31, 2005		<u>\$ 295,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2005	5.30 %	\$ 20,000	\$ 8,222	\$ 28,222
November 1, 2005			7,693	7,693
May 1, 2006	5.35 %	20,000	7,693	27,693
November 1, 2006			7,158	7,158
May 1, 2007	5.40 %	20,000	7,158	27,158
November 1, 2007			6,618	6,618
May 1, 2008	5.45 %	25,000	6,618	31,618
November 1, 2008			5,936	5,936
May 1, 2009	5.50 %	25,000	5,936	30,936
November 1, 2009			5,249	5,249
May 1, 2010	5.55 %	25,000	5,249	30,249
November 1, 2010			4,555	4,555
May 1, 2011	5.60 %	30,000	4,555	34,555
November 1, 2011			3,715	3,715
May 1, 2012	5.65 %	30,000	3,715	33,715
November 1, 2012			2,868	2,868
May 1, 2013	5.70 %	30,000	2,868	32,868
November 1, 2013			2,013	2,013
May 1, 2014	5.75 %	35,000	2,013	37,013
November 1, 2014			1,006	1,006
May 1, 2015	5.75 %	35,000	1,006	36,006
		<u>\$ 295,000</u>	<u>\$ 101,844</u>	<u>\$ 396,844</u>